

Swedish Forest Industries' position on the proposed regulation on deforestation-free products

A regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010

Summary

EU action is needed to safeguard the world's forests. The Swedish Forest Industries (SFIF) fully supports the aim of the proposal to tackle global deforestation and forest degradation caused by EU consumption. Halting deforestation is important for biodiversity, for people's livelihoods as well as for mitigating climate change and enabling society to transform from a fossil-based linear economy to a more circular and biobased one. For the Swedish forest industry, ensuring biodiverse, healthy and resilient forests is a central goal and strategic interest.

SFIF makes the following main recommendations in relation to the proposal:

1. **Support trade in sustainable products.** The Regulation needs to be carefully designed not to create trade friction or hamper trade in sustainable wood products.
2. **Use globally recognised definitions** to facilitate enforcement and ensure consistency between various EU and international policy frameworks.
3. **Focus the Regulation on deforestation and legality, tackle forest degradation through enhanced support for sustainable forest management.** While forest degradation is a serious problem, the concept is complex and context- and country-dependent. It should therefore not be defined by a narrow definition of "sustainable harvesting operations", which does not consider other critical aspects, such as local needs and ensuring forest regeneration.
4. **Ensure that due diligence supports already well-functioning systems** and that information requirements are practically implementable. Collecting the geographic coordinates of all plots of land where the relevant commodities and products were produced could lead to a substantial implementation challenge and a disproportionate increase in administrative burden.
5. **Ensure predictability in relation to substantiated concerns** to not create an obstacle to trade and delivery of deforestation-free commodities.

Background

Deforestation is a global problem, aggravating climate change and biodiversity loss. On 17 November 2021, the European Commission proposed a regulation on deforestation-free products. The initiative aims to minimise consumption of products coming from supply chains associated with deforestation or forest degradation – and to increase EU demand for and trade in legal and ‘deforestation free’ commodities and products.

According to the European Commission, more than 90 percent of deforestation driven by EU consumption is caused by expansion of agricultural land to produce agricultural commodities such as palm oil, soy, coffee and beef. Deforestation is mainly a problem in countries in Southeast Asia, Africa and South America. In the EU, the area of forest increased by almost 10 percent in the past three decades.

For the Swedish forest industry, ensuring biodiverse, healthy and resilient forests is a central goal and strategic interest. Forest-based products and sustainable forest management play important roles in achieving the objectives of the European Green Deal to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy.

The Swedish forests are part of the boreal forest region which represents 30 percent of the global forest area and is the world’s largest terrestrial carbon pool. A recent analysis of data from countries in the boreal forest region shows that actively managed forests sequester more carbon than unmanaged forests¹.

In Sweden, 70% of the land is covered with forests and both the Swedish forest volume and growth has doubled in the last one hundred years. This increase equates to 2 billion tonnes of CO₂, equalling half of EU’s total emissions at today’s level. And during the same time, we have harvested four times that amount of wood from the forests, creating welfare and renewable products and energy.

Recommendations by the Swedish Forest Industries:

SFIF fully supports the aim of the proposal to tackle global deforestation and forest degradation caused by EU consumption. SFIF makes the following recommendations in relation to the proposal:

1. Support trade in sustainable products

The purpose of the proposal is to influence global trade flows to avoid trade with commodities and products causing deforestation and forest degradation. It is therefore important to design the regulation carefully, in a way that EU’s international trade commitments still are abided by and trade friction avoided. This is particularly relevant when it comes to the assessment of countries as “low- or high risk-countries”. Producing countries might perceive this as a disguised barrier to trade, and take countermeasures, which would be unfortunate and counterproductive.

There is a risk that the proposed regulation hampers trade in sustainable wood products. The information requirements may lead to such an administrative burden that products that meet the criteria, ie have not contributed to deforestation or forest degradation, can still not be placed on or exported from the internal market because of difficulties to meet the administrative requirements. This might hit developing countries particularly hard, not least small producers, and thus the proposal could run counter to several of the UN Sustainable Development Goals (SDG’s) regarding increasing exports from developing countries and reducing poverty. In this context, it is also worth noticing that other

¹ <https://skogsstyrelsen.se/globalassets/om-oss/rapporter/rapporter-2021202020192018/rapport-2021-11-sustainable-boreal-forest-management-challenges-and-opportunities-for-climate-change-mitigation-002.pdf>

products, which strongly contribute to climate change, such as products produced from fossil resources, are not burdened with comparable information requirements.

2. Use globally recognised definitions

It is important that EU legal framework to tackle global deforestation uses globally agreed and well-established definitions to facilitate enforcement and ensure consistency between various EU and international policy frameworks. SFIF welcomes that many of the key forest-related definitions are defined as in the FAO Global Forest Resources Assessment². However, SFIF does not support the proposed definitions of *forest degradation* or *sustainable harvesting operations*, see point 3.

3. Focus the Regulation on deforestation and legality, tackle forest degradation through enhanced support for sustainable forest management

For the regulation to be targeted and efficient, it should focus on ensuring that EU consumption does not cause deforestation or comes from illegal activities. While forest degradation is a serious problem in some parts of the world, the concept is complex and context- and country-dependent. It should therefore not be defined by a narrow definition of “sustainable harvesting operations” as in the proposal, which does not consider other critical aspects, such as local needs and ensuring forest regeneration.

If the Regulation is to include forest degradation, SFIF suggests that the FAO approach of defining forest degradation at the national level is followed, while ensuring that forests are managed according to the principles of sustainable forest management. SFIF suggests that the EU should increase its support to countries where forest degradation is a challenge. The support should focus on developing stronger forest governance and law enforcement as well as capacity building to promote sustainable forest management and locally/nationally adapted measures and tools. The suggested Forest Partnerships’ might be a good way to handle such cooperation.

The definition of forest degradation in the Regulation is problematic for a number of reasons:

- It ultimately reduces a complex phenomenon to a single list of management practices defined as “unsustainable harvesting operations”. Such definition ignores the concept of sustainable forest management as a dynamic balance of social, environmental and economic functions in the forest landscape over time.
- A single definition of “sustainable harvesting operations” cannot be applied to the different management systems of the wide variety of forests in different biogeographical regions within and outside Europe. A one-size-fits-all approach could become counterproductive, as sustainable forest management differs across the world. The FAO Global Forest Resources Assessment does not make a global definition of forest degradation for this very reason and instead refers to national definitions and criteria.
- It is not compatible with the main drivers of forest degradation, as identified by the European Commission, as short-term disturbances such as selective logging, natural events and fire.
- It creates significant uncertainty and legal risk to sustainable forest management operations, both for European operators as well as stakeholders elsewhere, and thus is counter-

² FAO. 2020. Global Forest Resources Assessment 2020: Main report. Rome. <https://www.fao.org/documents/card/en/c/ca9825en>

productive to the stated aim of increasing supply of deforestation-free wood products, as the Regulation is directly applicable in national legislation (without national implementation).

4. Ensure that due diligence supports already well-functioning systems

The due diligence system must be practicable and not entail an unreasonably high administrative burden for companies and authorities. It must also ensure that existing certification systems can be used. The system must also be designed considering that it covers large-scale volumes and global flows of commodities and products.

Existing global forest certification schemes, such as FSC and PEFC are key tools in the forest industry's risk management and risk mitigation procedures. Third-party verified forest management certification ensures that forests are managed in line with environmental, social and economic requirements, and it is complemented by chain of custodies certification. As such, their scope is broader than legality and deforestation. A recent study³ confirmed that certification remains a key tool as it safeguards a higher degree of assurance to operators compared to non-certified material or supply chains. This supporting role in deforestation-risk assessment should be maintained under the new framework. This would reduce both administrative burden and costs, as well as assure a swifter implementation.

The new proposed information requirement on operators to collect the geographic coordinates of all plots of land where the relevant commodities and products were produced could lead to a substantial implementation challenge and a disproportionate increase in administrative burden. The system is not feasible for finished products. It is possible to follow the raw material from the felling site to industry, but after that the parts of the decomposed log can no longer be connected to a specific felling area. Legislation must therefore focus on a scale other than "plots of land".

5. Ensure predictability in relation to substantiated concerns

The proposal entails a right for a natural or legal person to submit substantiated concerns to competent authorities when they deem that operators or traders are failing to comply with the Regulation. This could be an important provision to ensure the enforcement of the Regulation, but caution must be taken so that the provision does not cause undue uncertainty for operators, thereby being an obstacle to the trade and delivery of deforestation-free commodities. It may further require significant resources from competent authorities. Therefore, it must be very clear for natural/legal persons, authorities and companies what is to be considered a substantiated concern.

About the Swedish forest industry

The Swedish forest industries are essential contributors in the green transition to a more circular and biobased economy. The industries refine wood resources to bio-based products, such as pulp, paper, board, packaging material, sawn timber, refined wood products, biobased electricity and heat and advanced biofuels. The core business is industrial activities based on wood sourced from sustainably managed forests, but among the industries are also some of the largest private forest holdings in Europe. Any forest, climate, environmental, energy and product related European Union policy is of high importance.

³ Preferred by Nature (2021), Report: Study on Certification and Verification Schemes in the Forest Sector and for Wood-Based Products.